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National Intelligence Bulletin

State Dept. review completed

DIA review(s) completed.

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January 10, 1975

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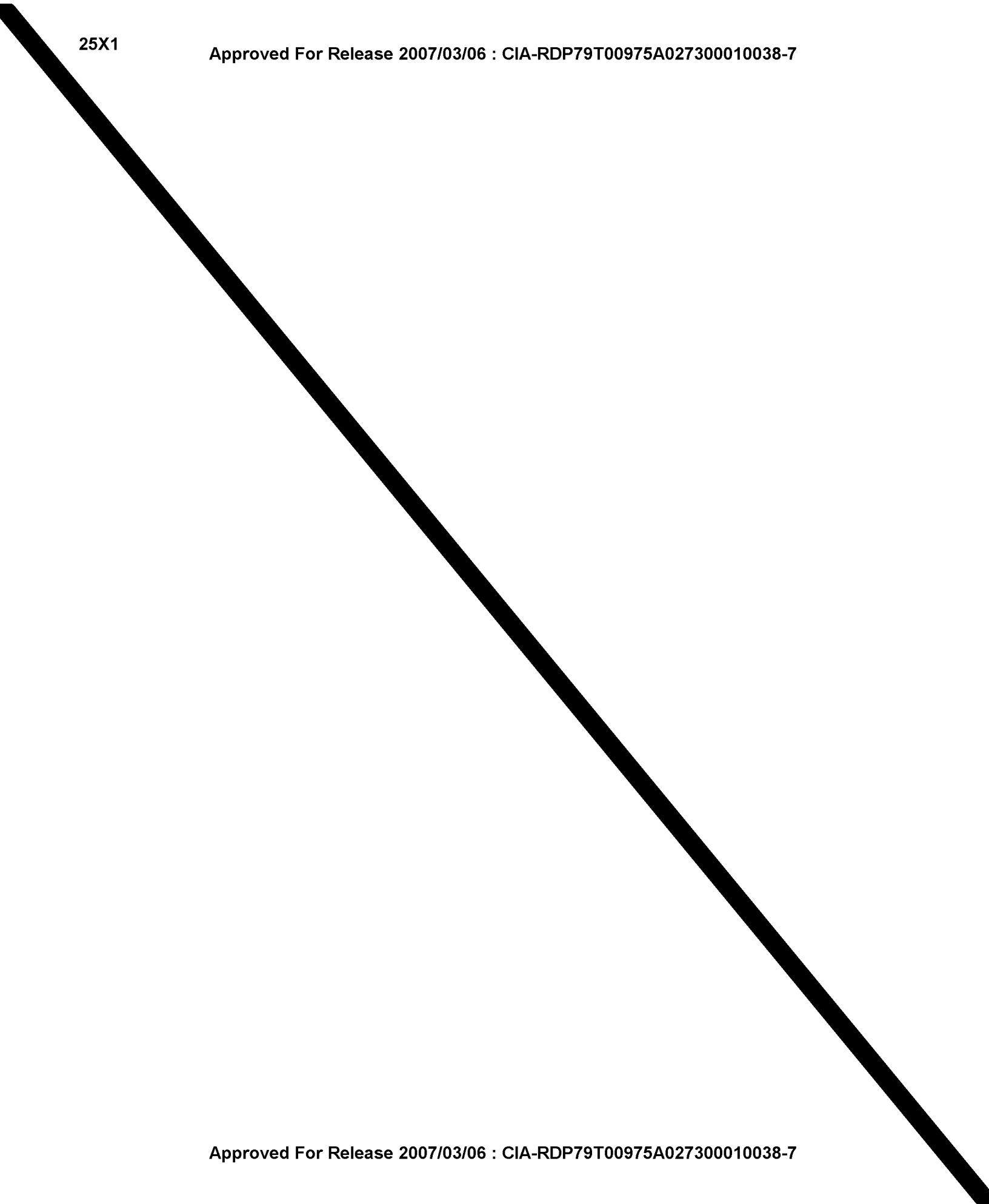

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National Intelligence Bulletin

January 10, 1975

CONTENTS

EGYPT: Sadat's criticism of the Soviets may be an effort to justify to other Arabs Cairo's willingness to negotiate for peace. (Page 1)

[redacted] 25X1

CYPRUS-TURKEY: Ankara pressing British on refugee question. (Page 5)

PORTUGAL: Socialist Party appears to be veering to the left. (Page 7)

[redacted] 25X1

DENMARK: Moderate Liberals nearly double parliamentary strength in elections. (Page 13)

FOR THE RECORD: (Page 14)

ANNEX: Soviet defense costs exceed US defense outlays. (Page 15)

Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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EGYPT

President Sadat's public charges this week of the Soviets' continued refusal to re-arm Egypt fully may be an effort to justify with other Arabs his readiness to conclude another unilateral agreement with Israel. His harsh criticism, however--after a period in which both Cairo and Moscow had tried publicly to paper over their differences--endangers those military deliveries the Soviets recently promised.

In his remarks, carried in a Beirut newspaper interview on Wednesday, Sadat defined three categories of arms deliveries that Egypt is seeking from Moscow: replacement equipment for losses suffered during the war in October 1973; arms promised but not yet delivered under prewar contracts; and newly developed equipment.

Sadat acknowledged that Soviet leaders agreed, during Foreign Minister Fahmi's recent visit to Moscow, to provide "a part" of Egypt's arms demands, but he charged that this will not meet Cairo's needs for either replacements or new arms. Addressing his remarks to "every Arab," Sadat compared Egypt's situation with Syria's and Israel's. He said Syria has received full "compensation" from the Soviets for war losses, and Israel has gotten both compensation and new types of weapons from the US. Egypt, he said, has received only "a few arms" and small quantities of ammunition and spare parts.

Sadat also indirectly accused the Soviets of involvement in recent leftist-inspired demonstrations in Cairo. Without precisely linking Moscow with the Communist and leftist agitators arrested since the demonstrations, Sadat said there is "no room" in Soviet-Egyptian relations for interference in domestic affairs. "If the left is exploited for sabotage," he said, implying Moscow's role, it will be dealt with like "any other group of saboteurs."

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At another point in the interview, Sadat defended his policy of economic liberalization in terms further calculated to irk Moscow. He was asked how economic liberalization--which itself has been a target for Soviet criticism--can be reconciled with Egypt's socialist system. In reply, he raised the Yugoslav example, knowing full well that Belgrade's "self-managing socialism" has long been a sore point with the Soviets.

Sadat's complaint is the strongest since his series of critical public statements last spring, which probably played a large part in Moscow's suspension of arms deliveries between April and August. In view of the risk Sadat is taking that the Soviets will respond in a similar manner to his latest criticism, his remarks seem explainable only in terms of the impact he expects they will have on other Arabs.

By addressing his statements to all Arabs and comparing Syrian rearmament with Egypt's lack of arms, Sadat may intend to undercut Arab--particularly Syrian--criticism of his willingness to continue dealing with the US in step-by-step negotiations with Israel. Although he did not mention the US in this regard, his message may have been that Egypt is justified in taking what it can get from US diplomatic efforts in negotiations because Syria gets what it wants from the Soviets.

In a second installment of the interview published yesterday, Sadat reinforced this impression. Noting that the Geneva conference should not be reconvened until the US and the USSR themselves agree on strategy, Sadat said no Arab should in the meantime disregard any "opportunity" for "other steps toward peace."

DIA believes that, although this is a possible explanation for Sadat's remarks, there are other more plausible explanations. If the remarks were addressed primarily to an Arab audience, he would, in effect, be

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admitting his willingness to negotiate from a position of weakness, relying only on what he can achieve as a result of US diplomatic efforts.]

[DIA therefore believes it is more plausible that Sadat's remarks were predicated on assurances from Saudi Arabia of financial backing for arms purchases in the West. King Faysal's visit to Egypt on January 18 is probably related to these assurances. His visit will probably serve to cement further Egypt's move away from Moscow. Furthermore, Sadat's remarks may well have been aimed at an American, rather than an Arab, audience as evidence of his adherence to the step-by-step approach to a Middle East settlement sponsored by the US.

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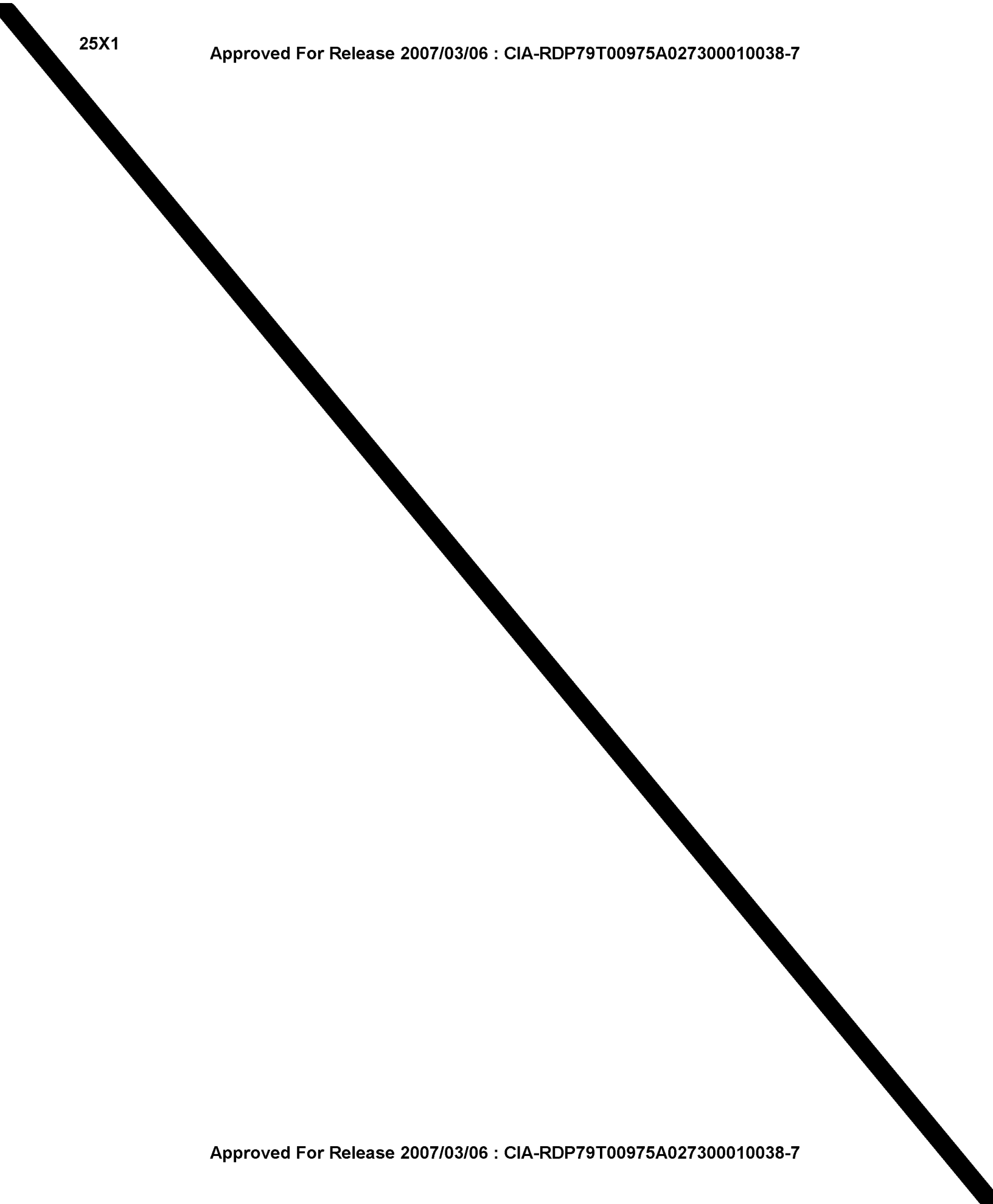

Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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CYPRUS-TURKEY

The Turks are engaged in a well-publicized effort to obtain the release of some 8,000 Turkish Cypriots who sought refuge at a British sovereign base in southern Cyprus during the fighting last summer. The British had resisted earlier Turkish representations on this issue in an effort to strengthen the Greek Cypriot bargaining position,

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During his visit to Cyprus last week, former Turkish prime minister Ecevit told cheering Turkish Cypriots that there could be no progress on resolving substantive issues until the problem of the refugees in the south was settled. Turkish Cypriot spokesmen have echoed this line and have challenged the British position that the problem should be resolved through the Denktash-Clerides negotiations. The minister of defense in the Autonomous Turkish Cypriot Administration, for example, has noted that, if the British persist in their refusal to release the refugees, the Turkish Cypriots would feel free to ignore certain British treaty rights on Cyprus to airport, harbor, and water supply facilities.

In Ankara, Foreign Minister Esenbel called in the British ambassador on January 6 to tell him that Turkey's patience was running out. This story apparently was deliberately leaked to the Turkish press, as was word that Esenbel had sent a letter to British Foreign Secretary Callaghan rejecting discussion of the refugee issue by Denktash and Clerides and saying the matter would entail a review of Turkish-British relations. The Turkish press has played up reports that several Turkish Cypriots have died of sickness on the British bases since last July, presumably because of the poor living conditions.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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Feeling sure of their ground, the Turks may be publicizing their current effort on behalf of the refugees to gain credit for a diplomatic victory. This in turn could be used to improve Turkish Cypriot negotiator Denktash's position, which has been weakened recently by political and administrative difficulties. It could also give the Turkish government more flexibility in the coming Cyprus talks, at a time when domestic politics and the appearance of bowing to US pressure are making it more difficult for Ankara to make the kind of concessions necessary for a settlement.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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PORTUGAL

Portuguese Foreign Minister Mario Soares will face some hard decisions when he returns home this week from a visit to a number of Communist and neutral states. The decisions concern the problems of the Socialist Party, which he heads and which appears to be veering sharply to the left.

Soares' first decision will be whether to resign his cabinet post to devote his full energies to party matters. The party's congress last month served to sharpen its divisions and reveal its general disorganization. According to one press account, there was a formal party split this week.

Soares reportedly promised his supporters after the congress that he would resign from the government this month. He has not, however, been showing much enthusiasm or ability for party work, having become fond of the prestige and influence that go with being foreign minister.

The congress failed to make decisions on many key points in the party's program. The short-term social and economic measures that the congress adopted are more radical than those advocated by any other major Portuguese party, including the Communist Party. The US embassy in Lisbon reports that attempts to get the congress to accept a more moderate program were rejected overwhelmingly.

The delegates devoted most of their time to electing a slate of party leaders. Two slates were offered for the party's 151-member national commission. Although the slate led by Soares won, the commission has a more leftist cast than the party membership as a whole. This cast is likely to be strengthened when the 20 seats alloted to youth are filled at the Socialist Youth Congress later this month.

A temporary secretariat was named, and by the time a permanent one is to be selected, the Socialist youth representatives will be on the national commission, which selects the leadership. Soares, however, probably will survive as secretary general.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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The congress has given the commission authority to complete those portions of the party's program that were not addressed at the congress. A draft of the program calls for gradual Portuguese withdrawal from all political and military blocs. Some would like to write in provisions for establishing a common election front with the Communist Party. Soares has taken a stand against both, but he will be under intense pressure to radicalize the party's program.

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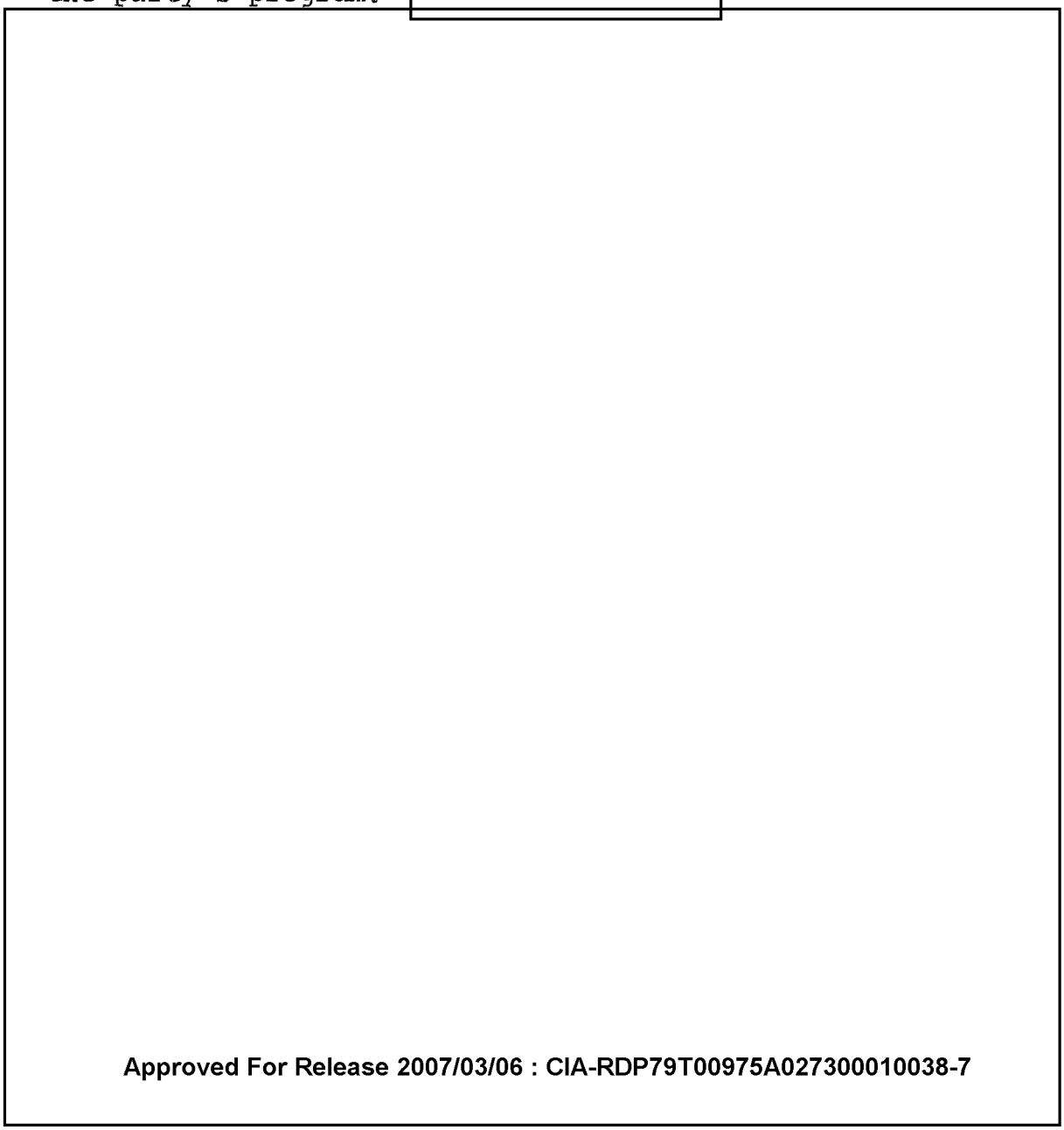

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Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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DENMARK

Danish Prime Minister Hartling's Moderate Liberals nearly doubled their parliamentary strength in yesterday's election, largely at the expense of the small non-socialist parties.

The Moderate Liberals, who have governed the country for the past 13 months with only 22 seats in the 179-seat parliament, increased their representation to 42 seats. Hartling gambled by billing the election as a referendum on his government's economic "crisis plan" and won.

Despite internal divisions and weak party leadership, the Social Democrats, Hartling's major opponents, remained Denmark's largest party, winning 7 new seats for a total of 53. Mogens Glistrup's anti-tax Progressive Party slipped from 28 to 24 seats. Opinion polls predicted that Glistrup would lose one third of his backing. Nevertheless, Glistrup's indictment for income tax evasion and Hartling's success in reducing income taxes took some of the steam out of the Progressives' campaign.

Because of major differences between Hartling and Social Democratic leader Joergensen, a Moderate Liberal - Social Democratic coalition is improbable. Another minority Liberal government headed by Hartling will probably result.

If Hartling does form the government, he will again have to depend on the support of the non-socialist parties for his economic "crisis plan." He will probably view the election as a popular mandate for his austerity plan, designed to bolster the country's failing economy. It calls for a wage-and-price freeze, suspension of the link between wages and the cost-of-living index, and strict control of agricultural prices.

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Cuba-Poland: Edward Gierek, first secretary of the Polish United Workers' Party Central Committee, is due to arrive in Havana today. The last high-level visit by a Polish delegation to Cuba--headed by President of the Council of State Henryk Jablonski--took place in April 1973, following Fidel Castro's trip to Poland in May 1972. Gierek's trip apparently is mainly a protocol visit and is not likely to produce any startling new agreements.

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Approved For Release 2007/03/06 : CIA-RDP79T00975A027300010038-7

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SOVIET DEFENSE COSTS EXCEED US DEFENSE OUTLAYS

This review of Soviet defense costs is based on an annual CIA study. It presents the dollar costs of Soviet defense forces and programs for the years 1964 through 1974 as rough approximations of what it would cost to reproduce them in the US.

The comparison with US defense spending rests solely on the costs of the defense effort and are not used to draw conclusions about relative military effectiveness or capabilities. Further, the dollar costs of the Soviet program are presented in terms comparable to the US effort; the dollar costs so derived do not reflect the Soviet view of their defense spending; this view would be based upon a different set of costs--rubles--that Soviet defense planners and leaders must consider.

For every year since 1971 the dollar costs of Soviet defense programs exceed comparable US defense outlays. In 1974, costs--over 93 billion dollars in 1973 prices--were about 20 percent higher than US outlays. If the costs of pensions and reserves are removed from both sides, 1974 dollar costs for the Soviets exceed the US total by about 25 percent. US outlays were larger through the Vietnam war period, but as that war wound down, US spending eased. As a result, Soviet costs began to exceed those of the US in 1971.

Strategic Attack Forces

Total defense costs can be analyzed in two ways--according to the costs of the various military missions such as strategic attack, strategic defense, and general purpose forces; and according to research, investment, and operating costs.

The estimated dollar costs of Soviet intercontinental attack programs have exceeded US outlays in every year since 1966--most US systems were operational by then--and were about 60 percent higher than those of the US for

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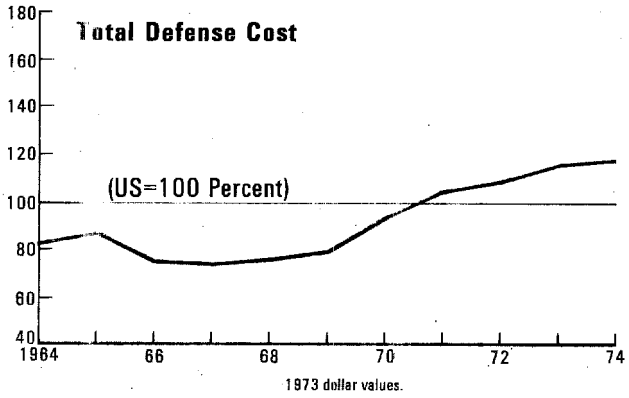
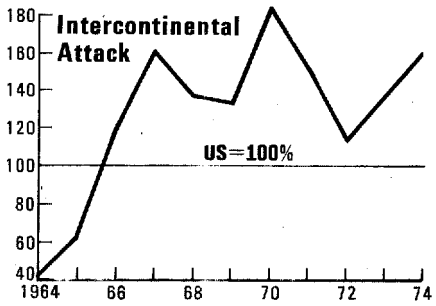
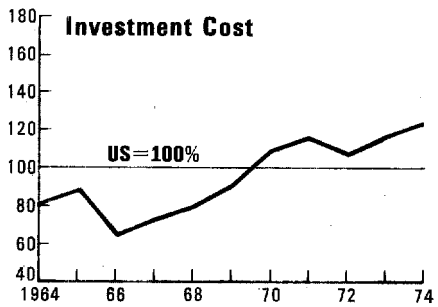
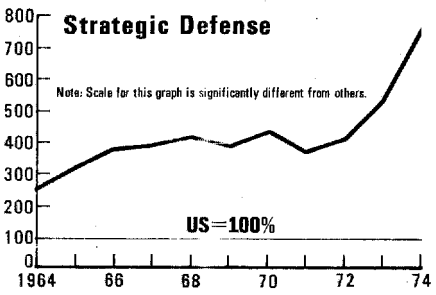
Dollar Cost of Soviet Programs as a Percent of US Defense Expenditures*

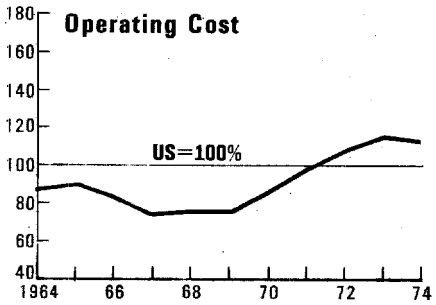


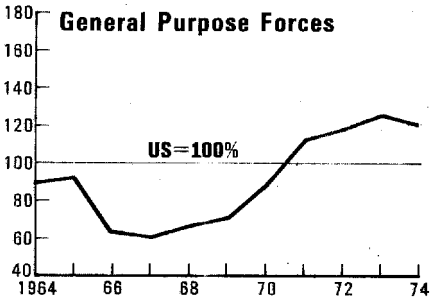
1973 dollar values.

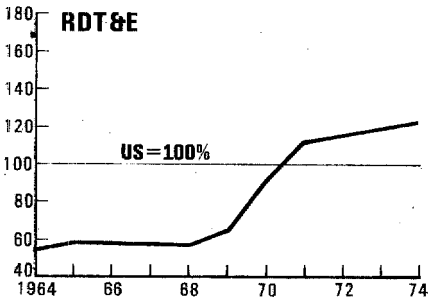












Note: Percentages calculated from 1973 dollar values.

*Department of Defense data has been adjusted for comparable coverage.

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the year 1974. If the Soviet peripheral attack forces--those primarily intended for use on the Eurasian continent--are included (the US has no counterpart for these forces), the gap is widened to 120 percent.

Soviet ICBM programs have cost about three times as much as US ICBM programs in the 1964-1974 period. For 1974, the Soviet costs were almost 4.5 times the US level, reflecting the four new Soviet ICBM systems coming into operation. The dollar costs of US and Soviet submarine-launched ballistic missile programs for the period 1964-1974 were about the same, but by 1974 the Soviets were spending almost 30 percent more than the US.

Other Forces

The USSR has maintained much larger strategic defense forces than the US. The cumulative dollar costs of such Soviet programs over the 1964-1974 period were more than four times the US level. The biggest differences were in surface-to-air missiles and fighter-interceptors.

In 1974, the dollar costs of Soviet strategic defense programs accounted for almost eight times US expenditures for strategic defense programs. Spending by both countries on antiballistic missile programs was negligible. During the 1964-1974 period, the USSR spent steadily increasing amounts on general purpose forces. By 1971, the dollar costs of Soviet programs had surpassed those of the US; in 1974, Soviet spending on general purpose forces was 20 percent larger than US spending for the same purpose.

Soviet ground forces have cost more than twice those of the US because of the much higher levels of Soviet manpower. The costs of naval forces were about the same for both countries. The costs in dollar terms of Soviet tactical air forces have grown rapidly since 1969, but last year were still only about half the US level.

A Second Breakdown

Expenditures for military forces can also be divided for purposes of comparison into research, investment, and

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operating costs. The estimated dollar costs of Soviet weapons acquisitions--research, development, test, and evaluation, plus investment--have exceeded outlays comparable in the US since 1970. US expenditures for these purposes exceeded estimated Soviet dollar costs by a little over 50 percent from 1964 to 1970. Soviet dollar costs have been higher since 1971; last year, they were about 25 percent larger than US programs.

Missiles and aircraft have been the fastest growing elements of Soviet procurement costs in recent years. The costs of ships and boats exceeded US outlays by 50 percent over the 1964-1974 period; these costs were about one third greater than for the US in 1974. Land armaments costs for the Soviets were over three times as much as the US spent in the 1964-1974 period.

In both the USSR and the US, the military personnel costs accounted for the largest part of the operating budget. These costs in the Soviet Union--at US 1973 pay scales--rose steadily over the 1964-1974 period; cuts in US military forces since 1968 have reduced comparable US expenditures. In 1974, dollar costs for Soviet military personnel were almost 50 percent higher than corresponding US costs. [redacted]

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